

SENATE FINANCE COMMITTEE

May 12, 2021

9:03 a.m.

9:03:01 AM

CALL TO ORDER

Co-Chair Bishop called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson
Senator Natasha von Imhof
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Mia Costello, Sponsor; Melodie Wilterdink, Staff,
Senator Mia Costello.

PRESENT VIA TELECONFERENCE

Colleen Glover, Tax Division Director, Department of Revenue, Anchorage; Angie Fraizer, Communications Officer, Anchorage Police Department Employees Association, Anchorage; Jack Tripp, Owner, The Viking, Juneau; Mack Meiners, Self, Juneau; Sandy Powers, Big Valley Bingo, Willow; Kathy Fitzgerald, Self, Fairbanks; Katrina Mitchell, Audit Supervisor, Tax Division, Juneau; Scott Henneman, Vice President, Grover Gaming, North Carolina;

SUMMARY

SB 130 ELECTRONIC PULL-TAB GAMES

HB 130 was HEARD and HELD in committee for further consideration.

CSHB 69(FIN) am(brf sup maj fld)(efd fld)
APPROP: OPERATING BUDGET/LOANS/FUNDS

CSHB 69(FIN) am(brf sup maj fld)(efd fld) was SCHEDULED but not HEARD.

CSHB 71(FIN)
APPROP: MENTAL HEALTH BUDGET

CSHB 71(FIN) was SCHEDULED but not HEARD.

#sb130
SENATE BILL NO. 130

"An Act relating to electronic pull-tabs."

[9:04:01 AM](#)

SENATOR MIA COSTELLO, SPONSOR, introduced the legislation. She stated that the bill was a committee bill from the Senate Labor and Commerce Committee. She remarked that the committee had focused on modernizing some of the statutes.

[9:05:17 AM](#)

MELODIE WILTERDINK, STAFF, SENATOR MIA COSTELLO, read the Sponsor Statement (copy on file):

Traditional paper pull-tabs are multilayered tickets with perforated sections that when "pulled" by tearing the perforation, reveal symbols which indicate whether the player has won. Pull-tab gaming permits are exclusively available to charities in Alaska for fundraising, and Alaska charities have benefitted by receiving donations through pull-tab games.

Senate Bill 130 would allow pull-tab operators the choice of providing paper pull-tab tickets or electronic pull-tab tickets, which are accessed onsite through a kiosk or tablet device. Electronic pull-tabs are played in the same manner as paper pull-tabs, but there are no physical tickets for operators to count, deface, or store. Benefits of electronic pull-tabs include increased security, easier tracking and

reporting, and reduced fraud. Modernizing pull-tabs makes it less onerous for small businesses to become pull-tab operators in support of local charities.

[9:06:56 AM](#)

Ms. Wilterdink discussed the Sectional Analysis (copy on file):

Sec. 1 - AS 05.15.690 Page 1, Lines 3-8
Amends AS 05.15.690(38) to insert the phrase "or electronic representation of a card" when describing pull-tab games.

Sec. 2 - Page 1, Lines 9-12
Amends uncodified law to add a new section which allows the Department of Revenue to adopt regulations necessary to implement the Act.

[9:07:30 AM](#)

Senator Wielechowski wondered whether there was somewhere in the title that limited the location of where the games could be played.

[9:07:46 AM](#)

Ms. Wilterdink replied that the bill would not change any other laws surrounding pull tab games. Electronic games would have to be played on site of a pull tab establishment.

[9:08:16 AM](#)

Senator Wielechowski felt that the description was broad. He clarified that a person would not be able to use an iPhone to gamble outside of an establishment.

[9:08:40 AM](#)

Ms. Wilterdink replied in the affirmative.

[9:08:52 AM](#)

Senator Wilson wondered how the gaming establishment set probabilities on the games.

[9:09:04 AM](#)

Ms. Wilterdink replied that the pull-tabs were currently a fixed run, with a certain number of winners. She said that approximately 75 percent of what was paid in was paid back out.

[9:09:58 AM](#)

Senator Wilson asked whether the vendor would set the probability of the winnings. He remarked that he may have a conflict of interest as he owned stock in an electronic gaming vendor.

[9:10:39 AM](#)

Ms. Wilterdink replied that that probability was not up to operators and vendors. She said that pull tab manufacturers in the state had regulations set by the Department of Revenue. She said that by the time the pull tabs reached the vendors the decision on winners had been well established.

[9:11:27 AM](#)

Senator von Imhof surmised that currently a person could only play for as long as they had cash to spend. She assumed that electronic playing would use a credit card and wondered whether limits would be placed on spending.

[9:12:23 AM](#)

Ms. Wilterdink responded that the electronic sales would still use cash. Cash would be given to the vendor who would then upload the game.

[9:13:18 AM](#)

Senator von Imhof understood that the vendor would accept the cash and load the electronic game to a device. She wondered whether the games could be hacked and might not be more secure than paper.

[9:14:21 AM](#)

Senator Olson wondered how the electronic games would be delivered to rural areas of the state.

[9:14:37 AM](#)

Ms. Wilterdink thought that the electronic gaming might make access to playing easier for rural Alaskans.

[9:15:37 AM](#)

Senator Olson understood that someone without internet service would be unable to participate.

[9:15:46 AM](#)

Ms. Wilterdink deferred to an invited testifier.

[9:15:53 AM](#)

Senator Olson wondered how gambling addicts could be protected from the electronic games.

[9:16:17 AM](#)

Ms. Wilterdink thought that having to pay cash to have the games loaded to a device could help limit spending.

[9:16:32 AM](#)

Senator Wielechowski noted that current statute required that each series of pull tabs manufactured in the state needed to be sealed and have a serial number.

[9:17:12 AM](#)

Co-Chair Bishop interjected that there were members of the executive branch online to answer questions.

[9:17:44 AM](#)

Ms. Wilterdink deferred to the Department of Revenue (DOR).

[9:18:23 AM](#)

COLLEEN GLOVER, TAX DIVISION DIRECTOR, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), relayed that the department was working with the Department of Law to determine how the bill could marry existing statute. She stated that there was existing detail in statute for paper

pull tabs but not much detail in regulations. She believed that it could be cleaner to have a separate set of statutes for electronic pull tabs.

[9:20:00 AM](#)

Senator Wielechowski wondered whether there was a difference between the definition of a "pull tab" and a "pull tab game."

[9:20:27 AM](#)

Ms. Glover replied that in statute there was only a definition for "pull tab game" and not a "pull tab ticket."

[9:20:43 AM](#)

Co-Chair Bishop asked about the tax on charitable gaming in regard to the state treasury.

[9:21:08 AM](#)

Ms. Glover replied that currently there was a 3 percent pull tab tax, and associated fees and licenses with all game types, which brought in approximately \$2.5 million per year to the state treasury.

[9:21:38 AM](#)

Co-Chair Bishop noted that there was a box of receipts before the committee. He understood that an argument for electronic pull tabs was that they would be more efficient to handle for the Tax Division and could help eliminate fraud. He requested an estimate on how much lost revenue and fraud the state experienced due to paper pull tabs.

[9:22:21 AM](#)

Ms. Glover could not speak to fraud. She said that the department had reached out to other states who had implemented electronic pull tabs with questions concerning effectiveness.

[9:23:52 AM](#)

Co-Chair Bishop OPENED invited testimony.

ANGIE FRAIZER, COMMUNICATIONS OFFICER, ANCHORAGE POLICE DEPARTMENT EMPLOYEES ASSOCIATION, ANCHORAGE (via teleconference), spoke in support of the bill. She stated that charitable gaming was important for fundraising efforts made by her organization. She thought that moving to electronic gaming would benefit charitable fundraising in the state.

[9:26:56 AM](#)

JACK TRIPP, OWNER, THE VIKING, JUNEAU (via teleconference), testified in support of the legislation. He believed that electronic pull tabs would be more secure than paper and would eliminate human error.

Co-Chair Bishop OPENED public testimony.

[9:29:19 AM](#)

MACK MEINERS, SELF, JUNEAU (via teleconference), testified in support of the bill. He believed that electronic games would increase play and accountability. He thought that rules should be put in place and suggested a trial run.

[9:31:58 AM](#)

SANDY POWERS, BIG VALLEY BINGO, WILLOW (via teleconference), felt that the legislation needed to protect the charities and businesses and benefitted the economy. She spoke of the state limitations on gaming expenses. She express concern that out of state companies that provided the games to vendors could require 50 percent of the profits, leaving little behind for the state and Alaskan charities. She spoke of the changes that would be needed to current statute. She worried that outside gaming companies could have influence over DOR and what was written into the new electronic gaming statutes. She agreed that electronic games would be more secure.

[9:35:45 AM](#)

KATHY FITZGERALD, SELF, FAIRBANKS (via teleconference), testified in support of the legislation. She felt that the electronic games would bring in a new and younger demographic to the industry. She thought that electronic gaming would be more efficient and secure. She spoke of illegal gambling that was occurring on Facebook.

[9:38:49 AM](#)

Senator Wilson commented that notification and letters had been issued to those gambling on Facebook by Alaska State Troopers.

[9:39:34 AM](#)

Senator von Imhof stated that in 2018, gaming brought in \$376 million in total gross receipts; \$385 million in 2019. She said that there were 1,101 permit holders in the state, 28 percent of which were in rural Alaska, which meant that 28 percent of \$285 million was brought in from rural Alaska. She noted that rural Alaska had the highest sales tax in the state and hosted the highest cost of goods and services. She worried that the electronic games would be another way to separate people in the area from their money.

[9:41:15 AM](#)

Co-Chair Bishop CLOSED public testimony.

[9:41:18 AM](#)

Senator Wielechowski asked about the percentage breakdown of each dollar raised by pull tab gaming.

[9:41:57 AM](#)

Ms. Glover deferred to Katrina Mitchell.

[9:42:22 AM](#)

KATRINA MITCHELL, AUDIT SUPERVISOR, TAX DIVISION, JUNEAU (via teleconference), said that of the gross receipts taken in, prizes were first paid out. She stated that potential profits were known to vendors upon purchase of the game. She explained once the prizes were extracted, whatever was left was adjusted gross income. She relayed that according to statute no more than 70 percent of adjusted gross income could go toward paying gaming related expenses. The other 30 percent, or net proceeds, was the amount of profit that went to charities and was reinvested into communities

[9:44:08 AM](#)

Senator Wielechowski surmised that of the gross receipts 70 percent went to the pull tab operator in terms of gaming expenses and then 30 percent went to charity.

[9:44:21 AM](#)

Ms. Mitchell replied in the affirmative. She stated that the statute required that a minimum of 30 percent of adjusted gross income would be paid to the organization holding the permit.

[9:44:42 AM](#)

Co-Chair Bishop requested a hypothetical scenario involving one charity and one game.

[9:44:55 AM](#)

Ms. Mitchell explained that a vendor would buy a game from licensed pull tab manufacturer. Then the game is sold to an organization authorized to sell pull tabs under the Charitable Gaming Act. The vendor collects 3 percent tax on the ideal net of the game, which is remitted to the state. Finally, the game is sold to customers.

[9:47:11 AM](#)

Co-Chair Bishop wondered how much money would go to charities.

[9:47:31 AM](#)

Ms. Mitchell replied that 30 percent of the adjusted gross income would be remitted to the charity.

[9:47:57 AM](#)

Senator Costello clarified the previous testimony that 50 percent of the money would go outside of the state economy. She reminded that the remaining dollars still went to Alaskan communities. She also noted that of the \$376 million in gaming dollars only a fraction was from pull tabs.

[9:48:53 AM](#)

Ms. Wilterdink said that the state collected \$2.7 million from pull tabs in the state. She noted that there were only 19 pull tab operators in the state, but many vendors such as bars and liquor stores.

[9:49:51 AM](#)

Senator Wielechowski looked at the gross receipts and asked whether the 70 percent in expenses included any profit for the bar or vendor.

[9:50:06 AM](#)

Ms. Wilterdink replied in the affirmative. She added that the amount was small and noted that sometimes bars could suffer losses.

[9:50:48 AM](#)

Senator Costello thought Grover Gaming could discuss tracking paper pull tabs versus electronic pull tabs.

[9:51:15 AM](#)

SCOTT HENNEMAN, VICE PRESIDENT, GROVER GAMING, NORTH CAROLINA (via teleconference), discussed purchasing tickets from manufacturers. He clarified that the bill offered additional security. He spoke to the ease of running reports using the electronic system. He said that no credit cards were used for charitable gaming in the United States. He was not sure about the 50 percent of funds leaving the state. He

[9:53:54 AM](#)

Senator Wilson asked whether the machines were sold or leased.

Mr. Henneman said that in many cases, machines were donated. He stated that occasionally they were leased. He relayed that the bar generally had to buy a dispensing device.

[9:54:59 AM](#)

Senator Wilson wondered who paid the sales tax to the state.

Ms. Wilterdink replied that the proceed fees were paid by the charity. She deferred to DOR.

9:56:08 AM

Co-Chair Bishop discussed housekeeping.

9:56:37 AM

Co-Chair Stedman shared the anticipated afternoon schedule and work that the Senate Finance Committee would conduct during the 1PM meeting.

9:59:01 AM

Senator Olson wondered whether the afternoon conversation would pertain to the PFD amount.

9:59:11 AM

Co-Chair Stedman responded that the presentation would be more of a high-level overview to offer members food for thought to start formulating policy positions.

SB 130 was HEARD and HELD in committee for further consideration.

#hb69

#hb71

CS FOR HOUSE BILL NO. 69(FIN) am(brf sup maj fld)(efd fld)

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; and making capital appropriations, supplemental appropriations, and reappropriations."

CS FOR HOUSE BILL NO. 71(FIN) am

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; making supplemental appropriations; and providing for an effective date."

CSHB 69(FIN) am(brf sup maj fld)(efd fld) was SCHEDULED but not HEARD.

CSHB 71(FIN) was SCHEDULED but not HEARD.

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ADJOURNMENT

10:00:11 AM

The meeting was adjourned at 10:00 a.m.